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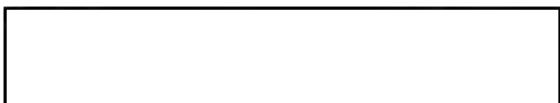


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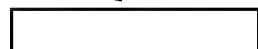
UNITED STATES
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LEBANON

Chief leftist leader Kamal Jumblatt—under strong pressure from Syria—reportedly has privately agreed to participate in a coalition cabinet. His acceptance may clear the way for an early announcement of a new government that will begin implementing the Syrian-sponsored peace settlement announced earlier this month.

Jumblatt apparently scaled down his earlier demand that leftist representatives be given seven posts in the new cabinet after several stormy meetings this week with Syrian Foreign Minister Khaddam. Recent statements by Prime Minister Karami, however, that all major combatants in the recent fighting should be represented in the cabinet suggest that Jumblatt may have succeeded in gaining posts for at least several of his leftist colleagues.

The extent of leftist participation in the government has been a major sticking point in the negotiations, and apparently has still not been resolved to the Christians' satisfaction. They are fearful of the close alliance between the Palestinians and the Lebanese far left, and are increasingly worried that Syria will eventually relax its current tough attitude toward both groups.

Interior Minister Shamun is once again arguing that the agreements governing the Palestinian presence in Lebanon must be implemented before a new government is formed. Although Shamun's objections may cause some further delay, his chief ally, Phalangist chief Jumayyil, has generally been more flexible on this issue, and he will probably agree to join a new government. His participation is considered more crucial to the success of a coalition cabinet than Shamun's.

* * * *

Two USIA officers kidnaped in Beirut by Lebanese terrorists last October were released yesterday. The officials were held during most of their captivity by the Popular Front for the Liberation of Palestine headed by George Habbash. Jumblatt helped arrange the return of the two men, who are apparently in good health.

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PORTUGAL

Last minute objections by Portuguese party leaders delayed the signing of the draft agreement they are negotiating with the military on the country's political structure.

The agreement was to have been signed yesterday. One party leader said yesterday afternoon that most of the problems have now been resolved, and he believed the agreement might be signed later today.

Portugal's three largest non-Communist parties balked at the last-minute inclusion of a preamble that referred to the military's "leadership role" in the government and countered the parties' demands that the pact strictly limit the political power of the armed forces.

The two more conservative parties, the Popular Democrats and the Social Democratic Center, also rejected a formulation in the preamble asserting that Portugal should follow a "socialist path." Both parties want to leave the selection of a political ideology up to the people, who are generally regarded as conservative.

Earlier, the agreement had been held up over a dispute on the timing of the presidential and legislative elections which the Popular Democrats wanted to be simultaneous.

[REDACTED]

The five parties involved in the negotiations—the three democratic parties plus the Communists and the fellow-traveling Portuguese Democratic Movement—met with military leaders yesterday in an effort to iron out differences. The Popular Democrats, who have been largely responsible for prolonging the negotiations, may not want to sign the document until party leader Sa Carneiro returns from a visit to the Netherlands and Denmark.

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NATO

In the wake of the recent decision by the allies to establish a forum for European arms cooperation, their attention has begun to focus on the problem of how to deal with the interest of some of the less industrialized NATO countries in acquiring national armaments-production capabilities.

In the Independent European Program Group (IEPG) meeting in Rome on February 2, European NATO members agreed to follow a common approach to weapons procurement and production on the continent. The aim is to achieve a viable arms industry there and increase weapons sales to the US.

A *Le Monde* article on February 18, which reported that the IEPG discussed the need to devise a system of payments to balance the cost of military equipment acquired by non-arms-producing countries, may reflect French Defense Ministry attitudes. A possible solution could be the purchase of nonmilitary products from those countries. Some countries, however, particularly Turkey and Greece, are expected to attempt to use the IEPG as a mechanism to obtain technological know-how for developing their own armaments industries.

London is expected to oppose any compensation that would encourage the development of arms-producing capacities in countries not already possessing them. It believes, according to US embassy officials, existing European defense industries with high standards of technology and performance should be strengthened in order to improve potential sales to the US. The British are expected to seek the support of the major arms-producing nations to squelch the notion that each country should share in arms-manufacturing programs.

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ICELAND

The general strike has spread to US-operated NATO facilities. Laborers, on strike since February 16, moved on to the US-manned navy station at Keflavik on the morning of February 23 and stopped the sale of gasoline at the exchange facility. Icelandic police, who guard the base, not only refused to halt the illegal action but escorted the pickets to the service station. Similar activities are expected to continue until the end of the strike, which may last several more days. Picketing could spread to commissary and exchange facilities.

The activities of the pickets have, so far, been peaceful. Base employees have been instructed to avoid violence, and the police have reportedly been instructed to intervene only if fighting or destruction of property occurs. Despite these precautions, a prolonged strike increases the likelihood of violence occurring on the base, which would encourage those Icelandic leaders who advocate withdrawal from NATO over their fishing dispute with Great Britain.

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FOR THE RECORD

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ANNEX

CHINA'S ARMED FORCES

The Bulletin concludes a three-part series on China's effort to strengthen its armed forces with a discussion of Peking's concern about the possibility of war with the USSR.

The article has been produced without the formal coordination of the Defense Intelligence Agency.

Like most of its foreign policy decisions, China's renewed emphasis on military modernization springs from deep-seated apprehension over Soviet military intentions.

The Chinese have viewed with increasing concern the marked growth during the past couple of years in Moscow's conventional military capability and the steady strengthening of Soviet forces along the Sino-Soviet border.

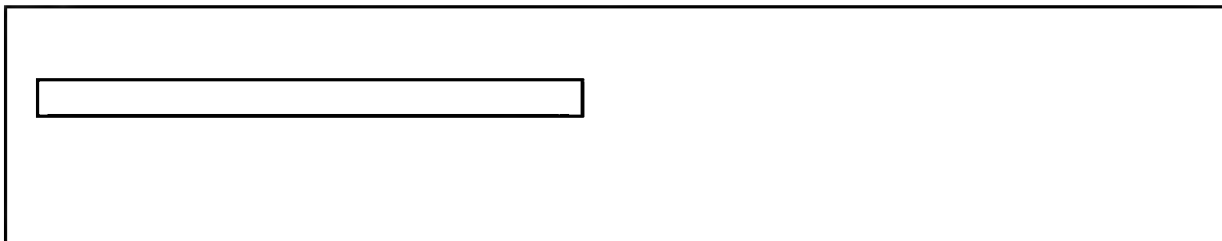


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Chinese statements about the Soviet threat suggest that Peking is preparing more for a distant rather than near-term contingency. Last summer, [redacted] the Chinese warned visiting foreign leaders as well as their own citizenry that a world war initiated by the USSR would break out. For internal consumption, it was stressed that China would be one of the first targets and the war was only three to five years off.

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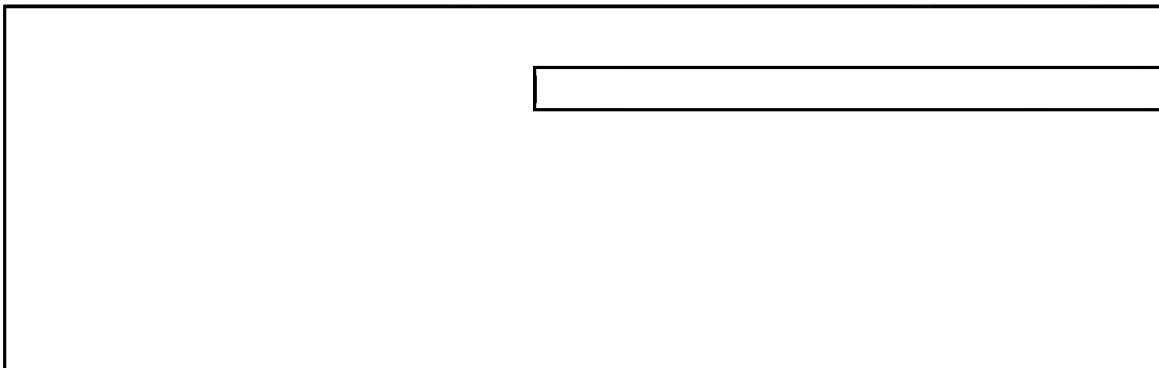
Not long afterwards, Chinese leaders seemed to push the event further into the future. Vice Premier Teng Hsiao-ping, in discussing the subject with West German Chancellor Schmidt last October, said that the "inevitable war" would not break out for "10, 20, or 30 years."



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Peking's concern over the long-term Soviet threat is obviously genuine, but there has been hyperbole in Chinese statements about Soviet military intentions to serve domestic policy requirements. Peking has also changed its tune on the threat from time to time to meet the needs of its foreign policy.

It has long been standard Chinese practice to attempt to persuade foreign countries of Moscow's aggressive intentions; talk of "war" is often simply an extension of this practice. During the past six months or so the Chinese have presented their "war" argument to virtually every visiting foreign official of any rank.

The "possibility of war" theme has gone through several changes since it was first introduced into Chinese propaganda after the border clashes of 1969. Until mid-1973, the focus was exclusively on the possibility of a Soviet attack on China, and the populace was warned to prepare for this eventuality.

In the following two years, the theme shifted: both the domestic audience and foreign visitors were told that Moscow's military ambitions were directed almost exclusively at Western Europe, rather than at China. This change in emphasis coincided with growing Chinese concern about NATO troop reductions and military budget cuts in the West European nations, and seemed designed to encourage these countries to keep a strong defense posture.

The shift from emphasis on the Soviet threat to China probably was also meant to suggest to Washington that it could not manipulate Peking's fear of Moscow for US foreign policy ends.

Last summer, the line began to change again. Western visitors were still warned about Soviet designs on Europe, but the possibility of a direct Soviet attack on China again became a theme of internal directives and local discussion meetings. Premier Chou En-lai, in fact, raised the possibility of a Soviet-initiated war even earlier, in his report to the National People's Congress in January 1975.

The return to the more alarmist line appears primarily intended to reinforce other anti-Soviet propaganda lines which have become more pronounced in the past several months.

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The talk of the increased threat of Soviet aggression dovetails neatly with a continuing media campaign directed against the Soviet Union. The onset of the succession period and Chairman Mao's concern over Chinese leaders who may be interested in a relationship with the USSR seem to underlie some of this anti-Soviet propaganda offensive.

Peking's admonitions about gathering war clouds have also been translated into an appeal to the workers for greater productivity. For the past year or so, worker unrest and factionalism have been a persistent problem. Although it is much less acute now than it was during the first half of 1975, it remains worrisome to Peking. Factory workers are being asked to maintain discipline in the interest of national security.

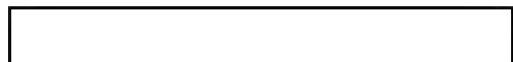
The war theme has obviously proven useful to the Chinese for propaganda purposes, and for this reason it is not an exact indicator by which to gauge the state of play between Peking and Moscow. The theme is not divorced from reality, however, and does provide some measure of the pressure Chinese leaders feel from their northern neighbor.

Despite the recent emphasis on the war threat, Peking does not appear to expect an outbreak of war for at least several years. It is clearly worried enough, however, to undertake a major program of modernization of its armed forces.

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